Decision **PROPOSED DECISION OF ALJ DOHERTY AND ALJ PARK**

(Mailed on 12/30/2019)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on the Commission's Own Motion to Conduct a Comprehensive Examination of Investor Owned Electric Utilities' Residential Rate Structures, the Transition to Time Varying and Dynamic Rates, and Other Statutory Obligations.	Rulemaking 12-06-013

DECISION ADDRESSING PHASE 5 ISSUES AND 2016 ORDER TO SHOW CAUSE

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DECISION ADDRESSING PHASE 5 ISSUES AND 2016 ORDER TO SHOW CAUSE

Summary

This decision addresses the issues identified by the latest amended scoping memo in this proceeding, and disposes of an order to show cause (OSC) filed on March 9, 2016.

This decision authorizes DDB San Francisco, a division of DDB Worldwide Communications Group, Inc., to continue work on a statewide marketing, education, and outreach program in support of the transition of Pacific Gas and Electric Company (PG&E) and Southern California Edison Company residential customers to default time-of-use rates through 2021. This decision authorizes an additional ratepayer expenditure of up to approximately $7.7 million for this continued work.

This decision also withdraws an OSC filed in this proceeding on March 9, 2016.

The proceeding is closed.

1. Background

The Commission instituted this rulemaking on June 21, 2012 to examine residential electric rate design, including the tier structure then in effect for residential customers, the state of time variant and dynamic pricing, potential pathways from tiers to time variant and dynamic pricing, and preferable residential rate design to be implemented.

In July 2015, the Commission issued Decision (D.) 15-07-001, which adopted several significant residential rate reform measures and set forth steps to transition California's default residential rate structure from tiered, non-time varying rates to time-of-use (TOU) rates starting in 2019. The Commission stressed the importance of educating customers on the rate reforms ordered by the decision and directed that the development of a long-term marketing, education, and outreach (ME&O) program be addressed during Phase 3 of this proceeding. To assist in this effort, the Commission ordered the formation of an ME&O Working Group to examine ME&O strategies for residential rate changes and how they interact with other residential programs.

Subsequently in this proceeding, D.17-12-023 authorized a budget of up to $31.7 million for agency fees (referred to as "Strategy and Content Development Work") for the Statewide Residential Rate Reform ME&O campaign to support a transition of residential customers to default TOU rates. The budget approved in D.17-12-023 was based on the assumption that the residential default TOU transition for all utilities would begin in 2019. However, in D.19-07-004 the Commission delayed the transition of Pacific Gas and Electric Company's (PG&E) and Southern California Edison Company's (SCE) residential customers to default TOU until October 2020.

On May 3, 2018 PG&E executed an amendment to an existing statewide ME&O contract with DDB San Francisco, a division of DDB Worldwide Communications Group, Inc. (DDB) to provide the Strategy and Content Development Work authorized in D.17-12-023. DDB's contract with PG&E was structured to end in September 2019. In D.19-01-005, the Commission authorized an extension of the existing contract through 2021; but the portion specific to Strategy and Content Development Work was not extended and was due to expire on September 30, 2019.

On September 5, 2019 an Amended Assigned Commissioner's Scoping Memo and Ruling (amended scoping memo) was filed and established Phase 5 of this proceeding. The amended scoping memo noted the background as described above, the delay in the default TOU transition for PG&E and SCE residential customers, and the fact that D.17-12-023 did not address budget revisions or changes to the scope of work for the Strategy Content and Development Work portion of the statewide ME&O contract. Given those constraints, the amended scoping memo proposed that modifications to the timing and scope of the Strategy and Content Development Work and associated budget – essentially a contract extension and incremental budget increase – may be necessary in order for the statewide ME&O campaign to support the transition of PG&E and SCE residential customers to default TOU rates as originally intended. The amended scoping memo sought party comment on a detailed proposal and incremental budget for the proposed contract extension provided by DDB[1] and attached to the amended scoping memo. The DDB proposal requested an incremental budget of $22.9 million to extend statewide ME&O efforts related to the transition of residential customers to default TOU through 2021.

Opening comments on the DDB proposal were filed on September 20, 2019 by the Public Advocates Office of the California Public Utilities Commission (Cal Advocates), PG&E, and jointly by SCE, San Diego Gas & Electric Company (SDG&E), The Utility Reform Network (TURN), and the Center for Accessible Technology (CforAT). No reply comments were filed.

2. Issues Before the Commission

The amended scoping memo identified the following issues as within the scope of Phase 5 of this proceeding:

[1] Formally referred to as a "draft funding reconciliation proposal" in the amended scoping memo.

1. Should the timeline for DDB to provide Strategy and Content Development Work in support of the transition of residential customers to TOU rates[2] be extended due to the delay in transitioning most residential customers to TOU? If so, for how long?
2. If the timeline for Strategy and Content Development Work is extended, should there be any additional expenditure authorized for Strategy and Content Development Work?
3. What new work or other modifications for the Strategy and Content Development Work, if any, are required to support the transition of residential customers to TOU rates beyond the work already completed by DDB under its contract with PG&E?

Additionally, this decision disposes of an outstanding order to show cause (OSC) filed in this proceeding on March 9, 2016.

3. Discussion

The central questions in this phase of the proceeding are: 1) whether to extend the existing agreement with DDB to allow DDB to provide ongoing statewide marketing in support of residential default TOU, and 2) how much to spend on that extended effort.

Consideration of these questions is necessitated by the fact that the existing agreement with DDB to provide these services terminated at the end of September 2019. At the time the Commission authorized an initial budget and deliverables for the agreement with DDB (i.e., September 2017), the transition of all IOU residential customers to default TOU was be completed by the end of 2019. In the intervening years, the transition of PG&E and SCE residential customers has been delayed and they are now set to begin their transition to

[2] Hereinafter referred to as the "agreement with DDB" unless specified otherwise. There are other agreements with DDB on related marketing issues that are specifically defined in this decision and should be considered separate from the agreement with DDB at issue in this phase of the proceeding.

default TOU in October 2020. For this reason DDB asserts that its agreement to provide statewide marketing services should be extended past its September 2019 expiration date, and they further request an incremental budget of approximately $23 million to complete the agreement under an extended timeline.

3.1. Detail of DDB Request

DDB's request for an extension and incremental budget was attached to the amended scoping memo setting Phase 5 of this proceeding. DDB's request notes that funds to purchase media – on platforms such as social media, radio, and television – on which to run creative content in support of the transition of SCE and PG&E residential customers to default TOU exist in a separate contract that runs through 2021.[3] This means that no extension or incremental budget for the existing DDB agreement is required in order to purchase media through 2021. DDB notes that the extension and incremental budget request is for further content development (*i.e.*, creating new or revised advertisements and other marketing materials), media planning, and outreach spending. DDB asserts that "a variety of outreach programs" would be unfunded "and therefore potentially omitted from future [default TOU] roll outs" without an extension and incremental budget for the DDB agreement.[4] DDB sates that they will be able to continue their work without an incremental budget through March 2020, assuming an extension is given.[5]

DDB identifies the following deliverables established by D.17-12-023 that it believes require an incremental budget and extension through 2021 for the transition of PG&E and SCE residential customers to default TOU:

[3] Amended scoping memo, Appendix A, DDB 2021 Funding Reconciliation proposal (hereinafter DDB proposal) at 2.
[4] *Id.*
[5] DDB proposal at 4.

- Regular content development for social/digital channels
- Maintenance and updates of in-market communications
- Monthly reporting of campaign impact/results
- Regional adaption/translation for multicultural and critical customer audiences
- Adjustment of content/media to fit regional customer needs[6]

DDB further details the tasks based on the deliverables from D.17-12-023 that require completion for PG&E and SCE territories as including:

- Develop creative briefs
- Test/Validate creative concepts
- Translate/adapt/localize content
- Develop public relations content
- Update/Maintain public relations plan
- Develop and maintain social media content
- Social Media Customer Relationship Management
- Campaign updates/optimizations
- Coordinate community-based organization efforts[7]

With respect to program evaluation, DDB claims that a failure to extend and grant an incremental budget through 2021 "would have a negative overall impact on campaign reporting and the programs [sic] reported success."[8]

It is important to note that DDB has largely completed content development and execution for SDG&E's transition of its residential customers to default TOU. DDB states that much of the content already developed for SDG&E "will be reallocated in future regions [*i.e.*, regions within PG&E and SCE

[6] DDB proposal at 5.
[7] DDB proposal at 12.
[8] DDB proposal at 6.

territories], to be refreshed and regionalized as necessary, while some programs and activations will need to be redeveloped for local markets."[9]

DDB seeks an extension of its agreement through 2021. With respect to the incremental budget, DDB requests an additional $22.9 million beyond the $31.7 million authorized by D.17-12-023 to complete the scope of work authorized by D.17-12-023.[10] DDB's breakdown of the $22.9 million incremental budget request along specific sub-tasks related to deliverables established by D.17-12-023 is as follows:[11]

D.17-12-023 Deliverable 2:[12] Sub-Task Description	**Incremental Cost (through 2021)**
Strategic Stewardship and Creative Development: Strategic program oversight and development of new creative concepts	$1,944,452
Produce new 2020/2021 Vision and Critical Customer Content: Execution of ongoing Vision metric-driving and Critical Customer targeted content (*e.g.*, video, activations, digital/social, *etc*…)	$3,457,444
Optimize/Adapt Existing TOU Behavior Content – SDG&E TOU Campaign Revisions: Make revisions to, and potentially create new TOU behavior content, based on evaluator findings	$1,611,500
Develop Public Relations Content: Create analog and digital press releases and supporting content for earned	$900,518

[9] DDB proposal at 10. *See also* DDB proposal at 12, indicating that strategy content and development deliverables are either completed or are ongoing for SDG&E's transition to default TOU.

[10] DDB proposal at 14. The itemized budget outlined by DDB sums to approximately $22.8 million for work to complete Deliverables 2 and 3, and includes $128,000 for miscellaneous expenses, leading to a total cost of "contract renewal" of $22.9 million.

[11] DDB proposal at 15. The requested budget of $128,000 for miscellaneous expenses is not included in the tables below.

[12] D.17-12-023, Appendix A at 2 defines Deliverable 2 as the following: "The Contractor is expected to conceptualize, develop, and produce creative campaigns and contents. The Contractor will develop a research plan to test creative concepts using methods such as focus groups and surveys if necessary to augment comparable research that is already available. The advertising campaigns will complement and leverage the current [EUC] strategies and advertisements (ads) while adding new and original content for residential rate reform."

media programs	
Develop new 2020/2021 Multicultural Content: Concept and produce in-language and multicultural marketing materials for vision and behavior campaigns	$915,247
Statewide Creative and Media Testing: Bi-annual statewide program and paid media performance tracking, monthly analytics reporting, and creative concept testing	$793,081
Total incremental budget to complete D.17-12-023 Deliverable 2 through 2021	**$9,622,242**

D.17-12-013 Deliverable 3:[13] Sub-Task Description	**Incremental Cost (through 2021)**
Campaign Stewardship, Updates, and Optimization: Account management of program, strategic analysis/optimization, and creative updates to campaign content	$2,269,926
Update/Maintain Public Relations Plans and Influencer Support: Earned media program strategy and account management oversight, and paid influencer program execution	$1,473,537
Update/Maintain Video, Digital, and Social Content: General market social, digital, and website content optimizations, and ongoing refreshes	$1,443,813
Update/Maintain Multicultural Video, Digital, and Social Content: Multicultural social, digital, and website content optimizations, and ongoing refreshes	$761,287
Complete 2020/Develop 2021 Paid Media Plans: Media strategy refinement and plan development, maintenance, and optimizations	$1,601,145
Coordinate Community-Based Organizations Efforts: Issue requests for proposals, compensate community-based organizations, manage/nurture relationships, report activity, and produce collateral, social, and digital content	$4,805,000

[13] D.17-12-023, Appendix A at 3 defines Deliverable 3 as the following: "The contractor is expected to provide updates to the ME&O Blueprint at least annually through 2019 and as req uested by the [EUC] administrative staff to adapt to changes according to the needs of the program. These updates should be provided to [EUC] administrative staff, the rate reform ME&O Working Group, and the Phase II contractor."

D.17-12-013 Deliverable 3:[13] Sub-Task Description	Incremental Cost (through 2021)
Stakeholder Management: Regulatory compliance and stakeholder management deliverables, and ad hoc analyses and plan modification requests	$793,333
Total incremental budget to complete D.17-12-023 Deliverable 3 through 2021	**$13,168,041**

3.2. Extension of Timeline for Statewide ME&O

The first issue requiring determination is whether the timeline of the agreement with DDB should be extended to the end of 2021. DDB argues that the agreement must be extended to allow for DDB to execute statewide marketing to support default TOU rollout in PG&E and SCE territories due to a delay in transitioning PG&E and SCE residential customers to TOU. PG&E concurs and supports an extension, stating that it "supports an appropriate change in DDB's default TOU ME&O schedule to support PG&E's default TOU implementation schedule and approved ME&O plan."[14]

Other parties did not agree to an unconditional extension. Cal Advocates does not support an extension to the existing timeline. Cal Advocates reasons that DDB has not justified the incremental $22.9 million cost associated with the extension, and that the existing work conducted so far in support of SDG&E default TOU transition has not yet been proven effective.[15] Cal Advocates asserts that it would be premature of the Commission to consider the extension request until further research is provided on whether DDB's efforts were effective during SDG&E's rollout of default residential TOU.[16]

[14] PG&E opening comments at 2.
[15] Cal Advocates opening comments at 2-3.
[16] Cal Advocates opening comments at 3.

The Joint Parties – consisting of SCE, SDG&E, TURN, and CforAT –favor ongoing statewide ME&O in support of the default residential TOU transition in principle, while also stating that they "do not support an extension of DDB's work in this proceeding until a thorough coordination with the [Energy Upgrade California (EUC)[17]] efforts is completed by DDB…".[18]

The Joint Parties maintain that "[s]ignificant strategy and content development work has been conducted up to this point and this work should be leveraged and optimized." DDB has spent approximately $31.7 million thus far on content development and strategies to support the default TOU transition of residential utility customers.[19] DDB's proposal states that strategy content and development deliverables are either completed or are ongoing for SDG&E's transition to default TOU.[20]

It is apparent that failing to extend the timeline for DDB to deploy the content already developed for SDG&E in support of the default TOU transition of PG&E and SCE's residential customers would waste the ratepayer funds already spent on this effort.

That being said, the Commission is mindful of the concerns raised by Cal Advocates and the Joint Parties with respect to the $22.9 million incremental budget requested by DDB to complement the extended timeline. The Commission's approval of a timeline extension does not indicate approval of the

[17] EUC is the brand used to market energy efficiency and demand response behaviors to Californians through multiple channels. DDB is currently responsible for managing the brand and its marketing, and was authorized approximately $51 million of ratepayer funds in D.19-01-005 to continue managing the brand through 2021.

[18] Joint Parties opening comments at 4.

[19] PG&E opening comments at 4. This amount does not include expenditures logged by DDB for work on the EUC brand that also contributed to statewide ME&O regarding TOU rates.

[20] DDB proposal at 12.

incremental budget sought by DDB. An incremental budget for DDB to complete its work under an extended timeline is discussed below.

In order to avoid squandering the ratepayer funds already spent on development of statewide ME&O to support residential default TOU, PG&E shall amend the timeline for DDB to provide Strategy and Content Development Work in support of the transition of residential customers to TOU rates until the end of 2021. This timeframe encompasses the expected timing for the transition of most SCE and PG&E residential customers to default TOU rates as discussed in D.19-07-004.[21]

3.3. Additional Expenditure for an Extension

DDB proposes that it receive an incremental budget of $22.9 million to complete its work under an extended timeline.[22] According to DDB this incremental budget is meant to complete work specific to PG&E and SCE that was originally included in the agreement with DDB authorized in D.17-12-023 as "Deliverable 2" and "Deliverable 3."[23]

D.17-12-023 made no reference to tasks specific to each utility under each deliverable, and instead simply authorized DDB to complete the deliverables outlined in the decision with the $31.7 million authorized by the decision.[24] A finalized budget was confirmed by the Commission's Energy Division in its

[21] D.19-07-004 at 73 ("Consistent with D.18-05-011, PG&E and SCE should start the mass transition of their residential customers to default TOU in October 2020. This decision finds PG&E's and SCE's proposed transition timelines of 13 and 15 months, respectively, to be reasonable").

[22] DDB proposal at 12-15.

[23] *Id.* *See* D.17-12-023, Appendix A for more detail regarding these deliverables.

[24] D.17-12-023 Finding of Fact 37 ("DDB's current cost estimate for the statewide rate reform campaign is approximately $31.7 million for strategy updates and content creation and testing based on an assumption of an approximate $100 million media spend over two years"); Opening Paragraph 6 ("A budget of up to $31.7 million is authorized for the Strategy and Content Development Work set forth in Appendix A to this decision. The budget for Deliverables 2 and 3 of this work shall be confirmed upon completion of Deliverable 1, the Blueprint Update").

disposition of PG&E advice letter (AL) 3927-E/5216-G. That advice letter and disposition did not refer to any utility-specific tasks or budgets.

Therefore, a reasonable interpretation of D.17-12-023 is that the deliverables described by that decision – including any work under them that may have in DDB's judgment been specific to PG&E and SCE territories – were to be completed using the $31.7 million authorized by that decision. This creates difficulty in evaluating the merit of DDB's incremental budget request, as it is evident that DDB is requesting an incremental budget to fulfill tasks that D.17-12-023 directed be fulfilled without an incremental budget. In essence, the Commission is being asked by DDB to revise the determination that $31.7 million was sufficient to complete the scope of work defined by D.17-12-023, and instead increase that figure by $22.9 million to a total of $54.6 million.

DDB asserts that an incremental budget to complete the tasks already assigned to it is necessary due to the delay in default TOU transition for SCE and PG&E residential customers. DDB states that the delay made the completion of Deliverables 2 and 3 with respect to SCE and PG&E impossible.[25]

Parties objected to DDB's requested incremental budget in their comments. No party unconditionally supported the incremental budget request. For example, PG&E did not recommend that the Commission authorize additional expenditures for DDB. PG&E claimed that it cannot fully evaluate the material already developed by DDB using the $31.7 million previously authorized by the Commission specifically to support the default residential TOU transition. PG&E also stated that it is concerned with the current performance of DDB creative materials, questioned the overall efficacy of the marketing created by DDB, and recommended that the Commission evaluate the performance of DDB

[25] DDB proposal, *passim*.

marketing efforts undertaken thus far before authorizing additional expenditures.[26]

Cal Advocates likewise argued against any additional expenditure, and recommended that the Commission wait until research on the efficacy of DDB's existing marketing is conducted before authorizing further expenditure. Cal Advocates further argued that DDB should leverage some of the $51.1 million authorized for the EUC marketing campaign on energy efficiency and other initiatives to support default residential TOU implementation.[27]

Joint Parties flatly rejected any additional expenditure, and like Cal Advocates argued that DDB should leverage the $51.1 million authorized by the Commission with respect to EUC marketing to fulfil the original deliverables.[28] Joint Parties recommended that "workpapers and additional granularity on any potential spend should be provided with appropriate supporting documentation including planned activities, expected results and costs."[29]

DDB's rationale for failing to complete the deliverables assigned to it by D.17-12-023 with the funds authorized by that decision is puzzling. As noted by PG&E, DDB was aware that SCE and PG&E residential customers would be delayed in their transition to default TOU rates in early 2018, almost two years before its agreement was due to expire. PG&E states that "[i]t is disappointing that DDB did not plan and consult with the Commission staff to reserve some of the $31.7 million that was authorized to execute this campaign when it was made known in early 2018 and formalized in May 2018 that PG&E and SCE default TOU timing would be pushed out to 2020."[30]

[26] PG&E opening comments at 3-6.
[27] Cal Advocates opening comments at 3-5.
[28] Joint Parties opening comments at 5.
[29] *Id.*
[30] PG&E opening comments at 3.

The Commission concurs with this assessment. It is unfortunate that some of the $31.7 million previously authorized was not reserved for work specific to PG&E and SCE under Deliverables 2 and 3 once a delay in residential default TOU was made known to DDB. The Commission is disappointed that a request for an extension and incremental budget to sustain the statewide ME&O in support of the transition of PG&E and SCE residential customers to default TOU was only made shortly before the agreement with DDB was due to expire.[31] It would have been far more appropriate for DDB to make its request at the time the delay in the TOU transition was made known to them, as this would have allowed for a more efficient use of ratepayer funds.

Nevertheless, as this decision finds that it is necessary to extend the timeline of the agreement with DDB to avoid squandering the ratepayer funds already spent on the development of statewide ME&O to support default residential TOU, it is necessary to authorize some amount of incremental budget for DDB to leverage this existing material under the extended timeframe.

The full amount requested by DDB - $22.9 million – is intended to pay for a full suite of activities that would modify the marketing content and strategies already created, pay influencers and community-based organizations to promote TOU, prepare press releases, and track marketing performance, among other activities previously described in this decision. Many of these activities are not necessary in order to leverage the media content already developed for SDG&E's default TOU transition. Some of the activities – such as community-based organization and influencer outreach – were previously budgeted for by the Commission and should not be reauthorized simply due to the delay in TOU rollout for SCE and PG&E customers. The amount of funding required for such

[31] The DDB proposal for an extension and incremental budget was dated August 6, 2019 and the agreement with DDB was due to expire on September 30, 2019. *See* DDB proposal at 2.

outreach in PG&E and SCE territories should have been known to DDB and appropriately segregated from the funds used to support SDG&E's rollout of default TOU.

The incremental budget should be limited to the funding DDB requires to ensure that existing content is able to be run in a manner that supports the Commission's goals. This principle maximizes the value of the ratepayer investments already made in DDB's creative content. The incremental budget may include staffing to conduct media planning for 2020 and 2021. This funding may also cover adjustments required to SDG&E-specific content so that it can be deployed in SCE and PG&E territories,[32] or adjustments to social media marketing that accounts for conditions present in 2020 and 2021 rather than 2019. The analysis below attempts to divine from the record the incremental budget required for these tasks.

DDB's proposal includes a $9,622,242 incremental budget for content creation and testing.[33] Of the sub-tasks under this budget, only one appears to relate to the modification of existing content to suit PG&E and SCE customers: the $1,611,500 requested to optimize and adapt existing SDG&E content by making revisions to TOU content, based on an evaluator's findings of the impact of the content during SDG&E's rollout of TOU. The other sub-tasks are either related to the creation of new content, or are related to tasks that DDB should have known required a segregated budget for PG&E and SCE territories (*e.g.*, developing press releases for earned media programs). An incremental budget for these other sub-tasks is therefore not authorized.

[32] For example, changing content that specifically refers to Escondido or San Diego to content that specifically refers to Anaheim or Eureka.

[33] DDB proposal at 15.

DDB's proposal also includes a $13,168,041 incremental budget for "updates and maintenance."[34] One sub-task included in the total incremental budget request is for completing 2020 media plan and developing 2021 media plans. This sub-task includes media strategy refinement and plan development, maintenance, and operations. The incremental budget for this sub-task is $1,601,145.[35] This sub-task appears to include the work that would fulfill this decision's mandate that existing creative content is able to be run in 2020 and 2021. Some other sub-tasks related to this deliverable also merit authorization. These are: 1) $2,269,926 for campaign stewardship, updates, and optimization (in order to ensure that necessary adjustments are made in 2020 and 2021 to maximize the impact of TOU creative content); 2) $1,443,813 for general market social, digital, and website content optimizations, and ongoing refreshes (as before, to ensure that necessary adjustments are made in 2020 and 2021 to maximize the impact of TOU creative content);[36] and 3) $793,333 for regulatory compliance and stakeholder management deliverables, and ad hoc analyses and plan modification requests (essentially allowing DDB to continue coordinating with the Commission and the ME&O Working Group going forward).

Altogether, the total incremental budget for all of these authorized sub-tasks is $7,719,717 to allow DDB to place creative content in 2020 and 2021, optimize and adapt existing creative content based on an evaluator's findings of the impact of the content during SDG&E's rollout of TOU, generally refresh creative content for PG&E and SCE territories, and continue coordination with the Commission and other stakeholders.

[34] *Id.*
[35] *Id.*
[36] For the purpose of this decision, the Commission assumes that "general market" in the California media market includes Spanish-language social, digital, and website content.

In order to effectuate this work and not squander ratepayer funds already spent on creative content and media slots, this decision authorizes an incremental budget not to exceed $7,719,717 for DDB to extend its work on default TOU messaging for the purposes described above. PG&E shall include this incremental budget in its offer to extend the agreement with DDB to the end of 2021. PG&E shall condition its offer on an assurance from DDB that this incremental budget is able to sustain its efforts for the rollout of residential default TOU in both PG&E and SCE territory.

In response to party comments regarding synergy with the EUC campaign, this decision clarifies that the EUC budget approved in D.19-01-005 shall not be used as a source of the authorized incremental budget given that D.19-01-005 did not specifically consider the situation addressed by this decision – namely that DDB's agreement to support the default residential TOU transition would need to be extended and supplied with an incremental budget. Allowing funds authorized by D.19-01-005 to be used to support the extension of DDB's agreement with PG&E would substantially modify D.19-01-005, and such modification is not authorized at this time.

The final incremental budget and extended agreement with DDB shall be submitted by PG&E for Commission review as a Tier 2 advice letter no later than March 1, 2020. This decision authorizes the Commission's Energy Division to reject the final incremental budget and extended agreement with DDB if the final incremental budget exceeds the amount authorized by this decision.

4. Tracking of Expenditures

It is necessary to track the expenditures incurred by DDB under an extended agreement and incremental budget to ensure that the goals of this decision are met. Among other things, it will be critical to ensure that expenditures are regulated such that sufficient incremental budget exists for support of residential default TOU in both PG&E and SCE territories.

To that end this decision requires PG&E to include in its offer of an extended agreement with DDB a clause that requires DDB to report to the Commission's Energy Division on a monthly basis, beginning April 1, 2020, on expenditures that are made under the extended agreement and incurred in the previous calendar month. This will ensure that Energy Division can track the expenditures as they occur and consult with DDB and other Commission staff on the appropriateness of expenditures as they relate to the goals of this decision.

5. Revenue Recovery

Because this decision authorizes new, additional ratepayer expenditures on statewide marketing in support of residential default TOU, it is necessary to determine how these expenditures should be divided amongst the utilities and recovered. Consistent with D.17-12-023, expenditures for the extension and incremental budget for the agreement with DDB shall be allocated as follows: PG&E 45%, SCE 43%, and SDG&E 12%.[37] Consistent with D.17-12-023 and D.15-07-001, the utilities shall track expenditures for statewide residential rate reform ME&O in their respective Residential Rate Reform Memorandum Accounts.

6. March 2016 Order to Show Cause

On March 9, 2016, Administrative Law Judge (ALJ) McKinney filed a ruling in this proceeding directing PG&E to show cause why the Commission should not order sanctions and other remedies in response to PG&E charging rates not authorized by the Commission (March 2016 OSC). The March 2016 OSC arose from the submission by PG&E of an advice letter (PG&E AL 4795-E)

[37] It is fair to assign some costs to SDG&E ratepayers as PG&E and SCE ratepayers have already paid for SDG&E-specific marketing.

on February 17, 2016 that adjusted residential rates effective March 1, 2016 in a form and manner that allegedly failed to comply with D.15-07-001. On February 26, 2016 the Commission's Energy Division suspended the advice letter and on February 29, 2016 the advice letter was formally rejected by Energy Division.

On March 1, 2016 PG&E allegedly began charging residential customers the rates that were rejected by the Commission's Energy Division. The March 2016 OSC ordered PG&E to show cause as to why PG&E should not be sanctioned by the Commission and ordered to make reparations at shareholder expense if the rates charged to residential customers as of March 1, 2016 were not authorized by the Commission.

PG&E filed a response to the March 2016 OSC on March 11, 2016. PG&E apologized for any confusion and difficulty posed by its advice letter. PG&E pledged to remedy the situation by filing a new advice letter to replace the rejected rates. It also sought guidance from the Commission on the rates they should apply going forward to comply with D.15-07-001. With respect to the question of sanctions, PG&E argued that they were unable to exactly match their rates to the glidepath as described in D.15-07-001 due to mutually contradictory goals described in that decision, and therefore filed AL 4795-E as good faith attempt to comply with the requirements of D.15-07-001 even if some of the requirements of that decision were not precisely adhered to. PG&E requested that they not be sanctioned as a result of the good faith attempt to comply with that decision. PG&E granted that they applied the rates from AL 4795-E to their residential customers even though the rates were rejected by the Commission.

Cal Advocates (known at the time as the Office of Ratepayer Advocates) filed a reply to PG&E's response on March 15, 2016. Cal Advocates recommended that the new rates proposed by PG&E be adopted as an immediate remedy, and recommended the adoption of a particular set of rates going forward. Cal Advocates did not recommend sanctions per se, but instead sought shareholder payment of credits to those ratepayers that paid more than they should have under the rates applied by PG&E on March 1, 2016.

In view of the totality of circumstances, including the length of time since the filing of the March 2016 OSC and the implementation by PG&E of substantial reforms to its residential rates in compliance with Commission orders, it is appropriate to withdraw the March 2016 OSC. The March 2016 is therefore withdrawn by this decision.

7. Conclusion

This decision authorizes an extension of the DDB agreement to the end of 2021, and authorizes an incremental budget of approximately $7.7 million to be offered to DDB to allow DDB to place creative content in media slots already paid for, optimize and adapt existing creative content based on an evaluator's findings of the impact of the content during SDG&E's rollout of TOU, generally refresh creative content for PG&E and SCE territories, and continue coordination with the Commission and other stakeholders. PG&E and DDB will negotiate a final incremental budget for this work, not to exceed the amount authorized by this decision, and submit it to the Commission's Energy Division for approval no later than March 1, 2020.

8. Comments on Proposed Decision

The proposed decision of ALJ Doherty and ALJ Park in this matter was mailed to parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on ~~________________, and reply~~January 16, 2020 by CforAT, on January 17, 2020 by Cal Advocates, and on January 21, 2020 by PG&E and SCE. Reply comments were filed on ~~________________ by ____________________~~ January 27, 2020 by CforAT, SCE, PG&E, and Cal Advocates. No changes have been made to this decision in response to party comments.

9. Assignment of Proceeding

Marybel Batjer is the assigned Commissioner and Patrick Doherty and Sophia J. Park are the assigned ALJs in this proceeding.

Findings of Fact

1. D.17-12-023 authorized a budget of up to $31.7 million for agency fees (referred to as "Strategy and Content Development Work") for the Statewide Residential Rate Reform ME&O campaign to support a transition of residential customers to default TOU rates.

2. The budget approved in D.17-12-023 was based on the assumption that the residential default TOU transition for all utilities would begin in 2019.

3. D.19-07-004 delayed the transition of PG&E and SCE residential customers to default TOU until October 2020.

4. On May 3, 2018 PG&E executed an amendment to an existing statewide ME&O contract with DDB to provide the Strategy and Content Development Work authorized in D.17-12-023. DDB's contract with PG&E was structured to end in September 2019.

5. D.19-01-005 authorized an extension of the existing contract through 2021; but the portion specific to Strategy and Content Development Work was not extended and was due to expire on September 30, 2019.

6. Funds to purchase media – on platforms such as social media, radio, and television – on which to run creative content in support of the transition of SCE and PG&E residential customers to default TOU exist in a separate contract that runs through 2021.

7. No extension or incremental budget for the existing DDB agreement is required in order to purchase media through 2021.

8. DDB requests an additional $22.9 million beyond the $31.7 million authorized by D.17-12-023 to complete the scope of work authorized by D.17-12-023.

9. Failing to extend the timeline for DDB to deploy the content already developed for SDG&E in support of the default TOU transition of PG&E and SCE's residential customers would waste the ratepayer funds already spent on this effort.

10. D.17-12-023 made no reference to tasks specific to each utility under each deliverable, and instead simply authorized DDB to complete the deliverables outlined in the decision with the $31.7 million authorized by the decision.

11. A finalized budget was confirmed by the Commission's Energy Division in its disposition of PG&E AL 3927-E/5216-G. That advice letter and disposition did not refer to any utility-specific tasks or budgets.

12. DDB was aware that SCE and PG&E residential customers would be delayed in their transition to default TOU rates in early 2018, almost two years before its agreement was due to expire.

13. Because it is necessary to extend the timeline of the agreement with DDB to avoid squandering the ratepayer funds already spent on the development of statewide ME&O to support default residential TOU, it is necessary to authorize some amount of incremental budget for DDB to leverage this existing material under the extended timeframe.

14. The full incremental amount requested by DDB - $22.9 million – is intended to pay for a full suite of activities that would modify the marketing content and strategies already created, pay influencers and community-based

organizations to promote TOU, prepare press releases, and track marketing performance, among other activities previously described in this decision. Many of these activities are not necessary in order to leverage the media content already developed for SDG&E's default TOU transition.

15. The total incremental budget for all of the sub-tasks necessary to allow DDB to place creative content in 2020 and 2021, optimize and adapt existing creative content based on an evaluator's findings of the impact of the content during SDG&E's rollout of TOU, generally refresh creative content for PG&E and SCE territories, and continue coordination with the Commission and other stakeholders is $7,719,717.

16. In view of the totality of circumstances, including the length of time since the filing of the March 2016 OSC and the implementation by PG&E of substantial reforms to its residential rates in compliance with Commission orders, it is appropriate to withdraw the March 2016 OSC.

Conclusions of Law

1. The deliverables described by D.17-12-023 – including any work under them that may have in DDB's judgment been specific to PG&E and SCE territories – were to be completed using the $31.7 million authorized by that decision.

2. In order to maximize the value of the ratepayer investments already made in DDB's creative content, the incremental budget should be limited to the funding DDB requires to ensure that existing content is able to be run in a manner that supports the Commission's goals.

3. The EUC budget approved in D.19-01-005 shall not be used as a source of the authorized incremental budget given that D.19-01-005 did not specifically consider the situation addressed by this decision – namely that DDB's agreement

to support the default residential TOU transition would need to be extended and supplied with an incremental budget.

4. It is necessary to track the expenditures incurred by DDB over time to ensure that the goals of this decision are met.

5. It is critical to ensure that expenditures are regulated such that sufficient incremental budget exists for support of residential default TOU in both PG&E and SCE territories.

6. Because this decision authorizes new, additional ratepayer expenditures on statewide marketing in support of residential default TOU, it is necessary to determine how these expenditures should be divided amongst the utilities and recovered. Division and recovery of these new expenditures should be in accord with D.15-07-001 and D.17-12-023.

O R D E R

IT IS ORDERED that:

(`) Pacific Gas and Electric Company (PG&E) shall propose the following amendments to their agreement with DDB San Francisco, a division of DDB Worldwide Communications Group, Inc. (DDB) to provide Strategy and Content Development Work in support of the transition of residential customers to time-of-use rates:

a. An extension of the agreement until the end of 2021.

b. An incremental budget not to exceed $7,719,717 to place creative content in 2020 and 2021, optimize and adapt existing creative content based on an evaluator's findings of the impact of the content during San Diego Gas & Electric's rollout of default residential time-of-use rates, generally refresh creative content for PG&E and Southern California Edison Company (SCE) territories, and continue coordination with the Commission and other stakeholders.

c. An explicit condition that the incremental budget is able to sustain DDB's efforts for the rollout of default residential time-of-use rates in both PG&E and SCE territories.

d. A clause requiring DDB to report to the Commission's Energy Division on a monthly basis, beginning April 1, 2020, on expenditures that are made under the extended agreement to provide Strategy and Content Development Work in support of the transition of residential customers to time-of-use rates and incurred in the previous calendar month.

(`) The final incremental budget and extended agreement with DDB San Francisco, a division of DDB Worldwide Communications Group, Inc. shall be submitted by Pacific Gas and Electric Company for Commission review as a Tier 2 advice letter no later than March 1, 2020.

(`) Expenditures for the extension and incremental budget for the agreement with DDB San Francisco, a division of DDB Worldwide Communications Group, Inc. shall be allocated as follows: Pacific Gas and Electric Company 45%, Southern California Edison Company 43%, and San Diego Gas & Electric Company 12%.

(`) Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company shall each track expenditures for statewide residential rate reform marketing education and outreach in their respective Residential Rate Reform Memorandum Accounts.

(`) The order to show cause filed in this proceeding on March 9, 2016 is withdrawn.

(`) All motions not previously ruled on in this proceeding are deemed denied.

(`) Rulemaking 12-06-013 is closed.

This order is effective today.

Dated _____________________________, at Bakersfield, California.

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